

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF DELAWARE, THE DELAWARE DEPARTMENT OF NATURAL  
RESOURCES AND ENVIRONMENTAL CONTROL (ENERGY DELAWARE OFFICE),  
THE OFFICE OF MANAGEMENT AND BUDGET, AND THE CONTROLLER  
GENERAL'S OFFICE**

IN THE MATTER OF INTEGRATED )  
RESOURCE PLANNING FOR THE )  
PROVISION OF STANDARD OFFER )  
SUPPLY SERVICE BY THE DELMARVA )  
POWER & LIGHT COMPANY UNDER )  
26 DEL C. SEC. 1007 (c) & (d): )  
REVIEW AND APPROVAL OF THE )  
REQUEST FOR PROPOSALS FOR THE )  
CONSTRUCTION OF NEW )  
GENERATION RESOURCES UNDER )  
26 DEL. C. SEC. 1007 (d) )  
(OPENED JULY 25, 2006)

PSC DOCKET NO 06-241

COMMENTS OF ALAN MULLER AND OF GREEN DELAWARE ON WHETHER THE AGENCIES SHOULD APPROVE THE JUNE 8, 2008 POWER PURCHASE AGREEMENT BETWEEN BLUEWATER WIND (BABCOCK & BROWN) AND DELMARVA POWER (PEPCO HOLDINGS)

These are the comments of Alan Muller and Green Delaware after having reviewed the executed contract (as presented for public review), Senate Bill 328, the July 3, 2008 report from "New Energy Opportunities," et al, Mr. Firestone's July 16<sup>th</sup> comments, the transcript of the July 8<sup>th</sup> hearing before the Commission, etc.

With the following specific reservations, we recommend that the Agencies approve the June 8<sup>th</sup> PPA.

The merits of the PPA are simply that it sets up DPL as the launch customer for the Bluewater project. The many reasons this is important have been endlessly repeated and we won't do so again.

The projected rate impacts of the new-version PPA are insignificant. The main reasons are increases in projected fossil fuel prices and carbon allowance values, which in the past few months alone have moved the project a long way towards being a lowest price electricity source. We have repeatedly predicted, and do so again now, that by the time the project comes on line it will have a negative rate impact. That is, it will lower bills for DPL customers.

However, the benefits have been substantially diminished by the reduced scale of the power purchase. During the overall negotiation process, the estimated energy purchases under a DPL PPA have diminished greatly:

From Mr. Firestone's Table B:

600 MW project	1736	GWh/year	
600 MW with cap	1588	"	
450 MW with cap	1106	"	
200 MW	559	"	(32% of original proposal!)

The important point to note is that the reduction in rate impacts is NOT primarily due to the smaller size of the purchase.

On the other hand, the BENEFITS of the project to Delawareans are diminished in proportion to the decreased purchase. These benefits are only partially and inadequately quantified in the evaluation processes used by the various consultants.

Therefore, DPL should in no way be considered to have met its environmental and public interest obligations through this PPA. Further offshore wind purchases should be fully and fairly evaluated in the IRP process and otherwise.

We strongly disapprove of the manipulation of the REC system and the changes to the RPS requirements. While this has been described as nothing more than "creative financing," it has the potential for long-term negative impacts. The manner in which this was rolled out just before the end of the legislative session, and tied to approval of the Bluewater project, effectively prevented real discussion and understanding of a subtle scheme.

We agree with most of the other commenters that the question of backup generation should be taken up elsewhere and not further pursued in Docket 06-241.

As far as we know, no party is presently asserting that dedicated "firming" capacity is needed to proceed at this time with the Bluewater project. Firming capacity is a much less complicated contractual matter, and could be accomplished with a separate expedited RFP.

Given the greatly diminished size of the DPL PPA, the previous positions of Staff in favor of dedicated gas backup/reactive power support seem obsolete—for the moment – but the concept and policy are significant.

Of course, we consider that Delaware, and the PJM, should plan for the integration of much more wind energy and capacity in the area. We need, in fact, to plan a time-critical transition to a zero-net-carbon-emissions electricity supply system. It is important that the growth of wind capacity not be constrained by integration issues and the Commission and other State Agencies should play an active and supportive role in this.

Respectfully submitted,

Alan Muller